

Message Text

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TO AMEMBASSY PRAGUE

INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: PFOR, EFIN, CZ, US

SUBJECT: CZECH CLAIMS SETTLEMENT

GENEVA FOR AMBASSADOR SHERER

1. FOLLOWING REPORT BY DUSKO DODER ENTITLED "CZECHS ANGRY AT U.S. TRADE CURBS" APPEARED IN WASHINGTON POST OF FEBRUARY 6:

QUOTE: DESCRIBING CONGRESSIONAL RESTRICTIONS ON TRADE WITH CZECHOSLOVAKIA AS "ATTEMPTED BLACKMAIL", SENIOR FOREIGN MINISTRY OFFICIALS SAID TODAY THAT THE PRAGUE GOVERNMENT WILL NOT RENEGOTIATE AN AGREEMENT TO SETTLE OUTSTANDING FINANCIAL ISSUES WITH THE UNITED STATES.

THE AGREEMENT, WHICH INCLUDES SETTLEMENT OF CLAIMS RESULTING PERTY, WAS INITIALED BY THE TWO GOVERNMENTS IN JULY. CONGRESS EFFECTIVELY SCUTTLED THE AGREEMENT BY ADOPTING A MEASURE REQUIRING CZECHOSLOVAKIA TO FULFILL THE CLAIMS, INSTEAD OF PAYING \$30.5 MILLION AS PROVIDED BY THE ACCORD.

AS A RESULT OF THE CONGRESSIONAL ACTIONS, PROGRESS TOWARD WARMER RELATIONS BETWEEN CZECHOSLOVAKIA AND THE UNITED STATES ARE AT A STANDSTILL. THE PLANNED OPENING OF AN AMERICAN CONSULATE IN BRATISLAVA SCHEDULED FOR NEXT MONTH

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HAS BEEN POSTPONED INDEFINITELY, ACCORDING TO THE CZECHOSLOVAK OFFICIALS.

BUT THE TRADE REFORM ACT WITH ITS "DISCRIMINATORY" RESTRICTIONS HAS PRECIPITATED "A MUCH DEEPER CRISIS THAN YOU THINK," ONE OFFICIAL SAID. "IT HAS IMMOBILIZED THE U.S. GOVERNMENT.

"HOW CAN WE NEGOTIATE WITH THE STATE DEPARTMENT. OR SHOULD WE BE NEGOTIATING WITH SEN. GRAVEL AND SENATOR LONG?"

SEN. MIKE GRAVEL (D-ALASKA) WAS SPONSOR AND SEN. RUSSELL LONG (D-LA.), KEY SUPPORTER OF AN AMENDMENT TO THE TRADE ACT DEMANDING THAT CZECHOSLOVAKIA PAY U.S. CLAIMS IN FULL BEFORE WASHINGTON GRANTS PRAGUE MOST-FAVORED-NATION STATUS OR RETURNS MORE THAN 18 TONS OF CZECHOSLOVAK GOLD. THE UNITED STATES RECOVERED THE GOLD FROM THE NAZIS AT THE END OF WORLD WAR II.

THE CZECHOSLOVAKS' ASSESSMENT FINDS AN ECHO AT THE U.S. EMBASSY HERE AND ELSEWHERE IN EASTERN EUROPE. SENIOR AMERICAN DIPLOMATS HERE CONCEDED THAT THEY WERE "VERY DISAPPOINTED" BY THE ADOPTION OF THE GRAVEL AMENDMENT, WHICH HAS UNDERCUT THEIR ABILITY TO DEAL WITH THE CZECHS.

BY SINGLING OUT CZECHOSLOVAKIA FOR SPECIAL PUNISHMENT, WESTERN ECONOMICS SPECIALISTS SAID, CONGRESS HAS BLOCKED EXPANSION OF U.S.-CZECHOSLOVAKIA TRADE. SINCE 1970, BILATERAL TRADE HAS BEEN GROWING AT A RATE OF 40 PER CENT A YEAR AND IN 1973 TOTALED MORE THAN \$125 MILLION. PRELIMINARY U.S. FIGURES FOR 1974 INDICATED A SMALL CONTRACTION HOWEVER.

PLANS TO CONCLUDE TRADE AND CULTURAL AGREEMENTS HAVE BEEN POSTPONED, ACCORDING TO CZECH AND AMERICAN OFFICIALS. THE CZECHOSLOVAK MEDIA HAVE BEEN NOTABLY RESTRAINED IN THEIR TREATMENT OF THE CONGRESSIONAL ACTION AND OFFICIALS SOUGHT TO EMPHASIZE THAT PRAGUE CONTINUES "TO KEEP THE DOOR OPEN" FOR DIALOGUE WITH WASHINGTON.

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"E HAVE TO REPAIR THESE DAMAGES FIRST AND THEN WE WOULD BE ABLE TO NORMALIZE OUR RELATIONS AND EXPAND OUR BILATERAL TRADE," SAID ONE OFFICIAL. "BUT THE BALL IS IN THE AMERICAN COURT. OUR POLICY TOWARD THE UNITED STATES HAS NOT CHANGED. WE ARE EAGER TO CONTINUE THE DIALOGUE."

THE CZECHOSLOVAK OFFICIALS EXPRESSED THE HOPE THAT CONGRESS

WOULD CONSIDER THE TRADE REFORM ACT AND ITS IMPLICATIONS FOR EAST-WEST TRADE. CZECHOSLOVAKIA IS INTERESTED IN AMERICAN TECHNOLOGY, SUCH AS COMPUTERS, BUT THE OFFICIALS SAID OTHER WESTERN MARKETS REMAIN ACCESSIBLE--PARTICULARLY WEST GERMANY.

AMERICAN SOURCES HERE SAID WITH ANNOYANCE THAT THE GRAVEL AMENDMENT ORIGINATED WITH ABOUT 2,630 (SIC) CLAIMANTS, DISSATISFIED WITH THE AGREEMENT, WHO WERE ABLE TO CHANGE WASHINGTON'S POLICY TOWARD CZECHOSLOVAKIA. THE U.S.-CZECH CLAIMS AGREEMENT WAS COMPARABLE TO THOSE NEGOTIATED WITH OTHER EAST EUROPEAN COUNTRIES. END QUOTE.

2. POST ACKNOWLEDGED THAT ERROR WAS MADE IN PRINTING LAST PARAGRAPH OF DODER'S DESPATCH. PARAGRAPH SHOULD HAVE READ QUOTE AMERICAN SOURCES HERE SAID WITH ANNOYANCE THAT THE GRAVEL AMENDMENT ORIGINATED WITH ABOUT A HANDFUL OF THE 2,630 CLAIMANTS DISSATISFIED WITH THE AGREEMENT, WHO WERE ABLE TO CHANGE WASHINGTON'S POLICY TOWARD CZECHOSLOVAKIA. UNQUOTE.

3. POST PRINTING CORRECTION IN FEBRUARY 7 EDITION.

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